

## **Mission Statement**

### **IURC Water Rate Design Committee**

The Water/Sewer Division of the Indiana Utility Regulatory Commission ("Commission") intends to research rate design. The purpose of this research is to assist Commission staff to define its policy toward rate design. The end result of this project will be a paper that includes a history of rate design, alternative rate designs, advantages and disadvantages of alternative rate designs, identification of potential challenges and solutions to implement rate design changes, and final recommendations. Other aspects of rate design identified during the study may be addressed as well.

This project will be led by Commission staff. At this time, the designated staff person assigned to lead this project is Curt Gassert, Director of the Water/Sewer Division. It is anticipated that the final paper will be completed within six months from the date of the first meeting.

While this project is intended to focus only on water utility rate design, other areas such as conservation, demand management and water supply issues may be addressed as an indirect result of rate design research and study. Staff recognizes that decoupling could be considered in any study of rate design; however, decoupling and related issues may or may not be part of the final report. This determination will be made by the Commission's project leader.

The Commission welcomes the Water Rate Design Committee's assistance to provide information, ideas, materials or maybe its own position paper (if the members desire to do so and can reach agreement on a position). However, the Commission is an independent body. As an independent body, the Commission staff will review all information and ideas provided by the Committee, and possibly others, to form its own position, independent of other parties' positions. Thus, the Commission staff's final rate design policy determination may or may not agree with that of the Committee. Further, the five Commissioners of the Indiana Utility Regulatory Commission are the final decision makers for the Commission and their position(s) may or may not agree with staff's position.

Commission staff is initiating this research because it is aware that many water utilities in Indiana employ a declining block rate structure, including many regulated water utilities. Staff has concerns with declining block rate structures. First, the rate structure may not collect the utility's cost to provide service from the customer classes that cause the cost to be incurred. Secondly, the rate structure does little to encourage conservation. Staff believes that, while the declining block rate structure has advantages, those advantages may no longer exceed the disadvantages.

Staff also believes that specific rate design choices are the types of decisions that are best left to local utility operators. However, staff hopes to identify superior rate design alternatives and provide a path that utilities can follow to implement rate design changes that are beneficial for utilities and the customers they serve. The Commission believes that rate design is an important issue for Indiana ratepayers for several reasons. The Commission is also aware of factors that exist to prevent, or would make it difficult to implement rate design quickly. Therefore, the Commission believes greater awareness of this issue needs to be achieved today.